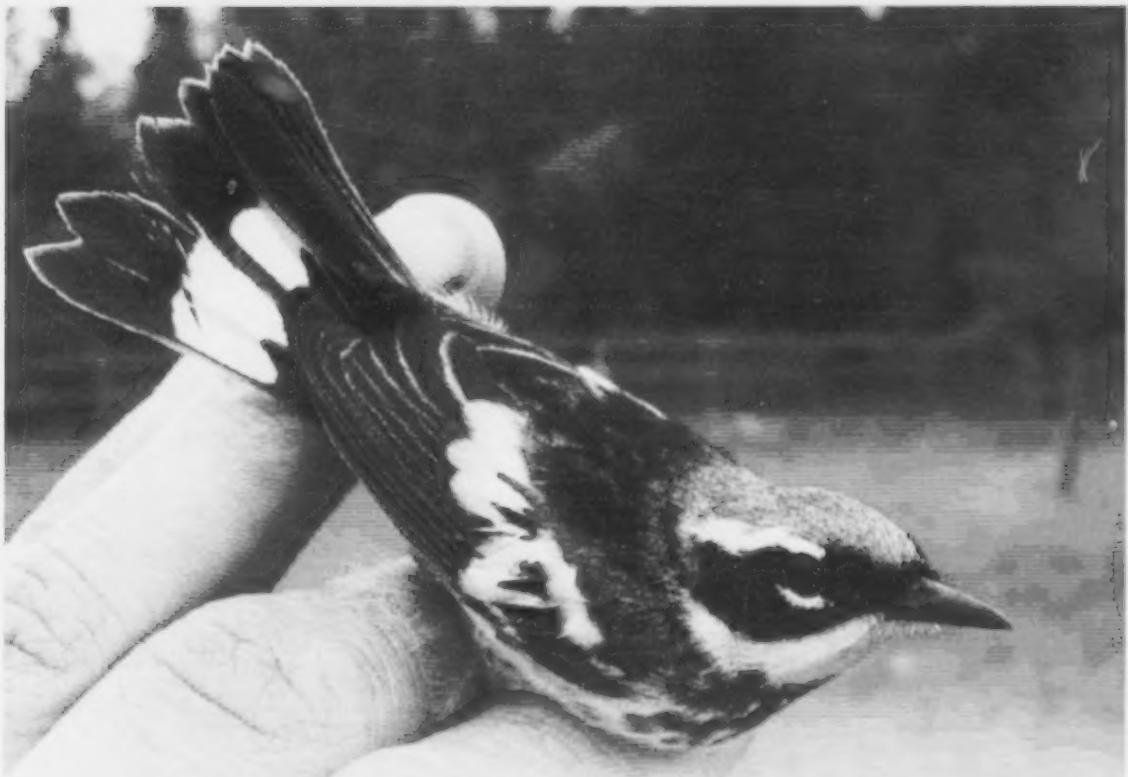


YUKON LOTTERY COMMISSION
ANNUAL REPORT 2006-2007

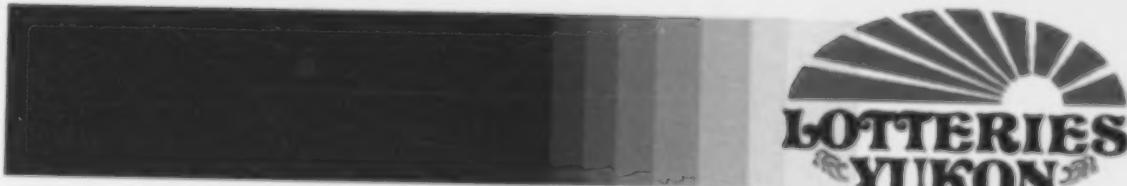


WINNING IN OUR COMMUNITIES





**Yukon Lottery Commission
Annual Report for the year ended
March 31, 2007**



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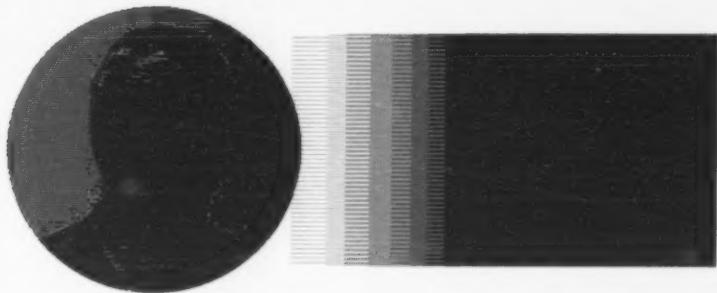
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The Honourable Jim Kenyon
Minister Responsible for Yukon Lottery Commission
Government of Yukon

December, 2007

Dear Honourable Minister Kenyon,

I have the honour to present you with the Annual Report of the Yukon Lottery Commission for the fiscal year ended March 31, 2007.

Respectfully submitted,

Melanie Graham

Melanie Graham
Chairperson
Yukon Lottery Commission

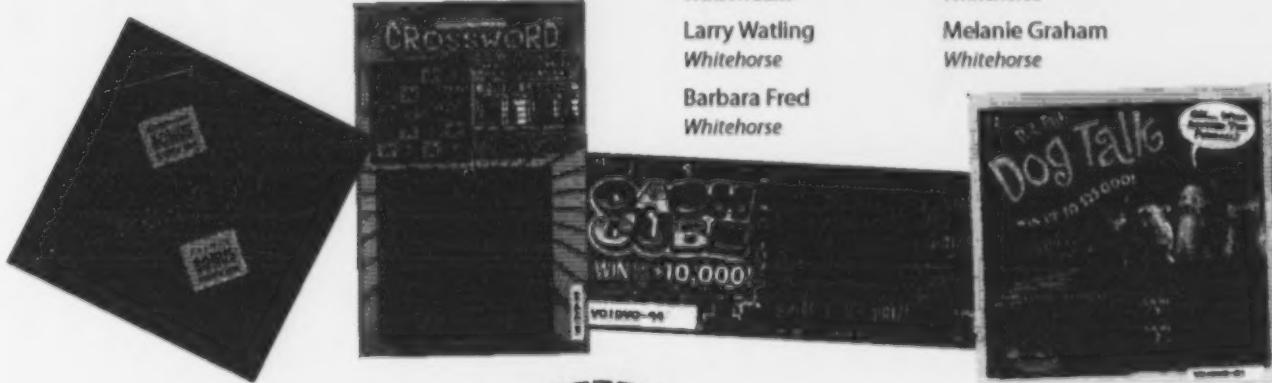
A MESSAGE FROM THE YUKON LOTTERY COMMISSION



Photo (left to right) back: Melanie Graham, Charlene Beauchemin, Larry Watling, Bernard Menelon, Renee Mayes, Norma Davignon; front: Carol Arntzen-Darkes, Jenny Skelton, Deryck Hockley, Barbara Fred, Mel Smith
Missing: Robert Gareau

(photo taken in Convention Centre, Haines Junction)

| | | | | |
|-------------------|--------------------------------------|------------------|-------------------------------------|--|
| Chair | Deryck Hockley <i>Ibex Valley</i> | Directors | Robert Gareau <i>Teslin</i> | Norma Davignon <i>Whitehorse</i> |
| Vice-Chair | Bernard Menelon <i>Mayo</i> | | Mel Smith <i>Faro</i> | Renee Mayes <i>Dawson City</i> |
| Manager | Carol Arntzen-Darkes | | Jenny Skelton <i>Watson Lake</i> | Charlene Beauchemin <i>Whitehorse</i> |



Mandate: The Yukon Lottery Commission is mandated to conduct and manage public lotteries in the Yukon by authority of the Public Lotteries Act, and to distribute revenues subject to the regulations. Government of Yukon appoints up to twelve members to the commission for two-year terms, with consideration of balance of representation important to decision-making.

The Yukon Lottery Commission believes that governing framework is important to long-term success. To this end, the Commission has requested that Yukon Government review and update the Public Lotteries Act to ensure that corporate policies, procedures and goals reflect the authority vested through the Public Lotteries Act and Regulations; and the agreement with Western Canada Lottery Corporation for the conduct and management of public lotteries in Yukon.

Meetings in Yukon communities were held to ensure that the public has input into the process of review and to voice any concerns with revenue allocation. To date, meetings held in Tagish, Carmacks, Haines Junction and Dawson City have not identified major issues. Community meetings will continue in the next year.



(Above) Commission members tour Dawson's Moose Mountain Ski Lodge



Mission: The Mission of the Commission to consolidate and increase the efficiency of all aspects of the Yukon Lottery Commission operations as designated in the legislated mandate, is accomplished by the following:

Goals and Objectives:

- To achieve maximum profits through the efficient management of public lotteries in the Yukon;
- To utilize lottery profits for the benefit and development of sports, arts, culture and recreation in the Yukon; and
- To ensure that eligible Yukoners have equal opportunity to apply for grants, and that grants are allocated in a consistent manner.

In the course of meeting these objectives, the Yukon Lottery Commission distributed over 1.7 million dollars of lottery revenues in 2006-07:

- \$382,797 was distributed to municipalities and recognized local authorities through annual grants, calculated using a base rate plus per capita formula. Accountability is required in order to receive funds that are in turn distributed to support recreation projects within the community.
- \$540,908 was approved for eligible applicants to support a variety of recreation projects. Eligible groups may apply for funds through a bi-annual application process for special events, projects and for equipment costs.

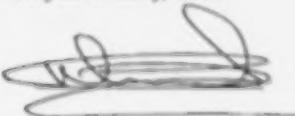
- \$166,206 was approved to assist 1,272 Yukoners with travel costs to participate in tournaments or adjudicated events. Eligible groups may apply for assistance with travel costs both within Yukon/Alaska and outside of the Yukon through an ongoing application process.
- \$618,299, representing 48% of net revenue available was allocated in 2006-07 to the Government of Yukon, through an agreement in effect until March 31, 2009. These funds supplement Yukon Government funding for eligible territorial Arts, Sport and Special Recreation groups and are administered by the Sport and Recreation Unit of Community Services and by the Arts Unit of Tourism. Distribution of funds is determined by advisory committees established to make recommendations on funding levels for eligible territorial groups. Juries of peers make recommendations for lottery-funded programs for elite/advanced athletes and coaches and for advanced artists for final approval by the Minister responsible.

The Yukon Lottery Commission members were active in a variety of roles during the 2007 Canada Winter Games. Both Commission members and staff volunteered many hours to help ensure that the games were successful. On behalf of the past and the present Commission, we extend thank you to the staff who envisioned and carried out a means of earning and saving 1.7 million in revenue allocated to assist with costs associated with the hosting of this significant national event.

I invite you to review the detailed information that follows regarding the revenues earned by the Commission and distribution of the revenues that are an important factor in the quality and diversity of recreational opportunities of Yukoners.



Deryck Hockley, Chair

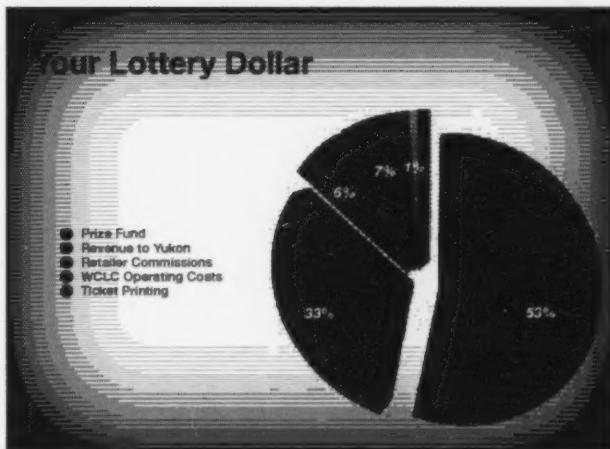


Bernard Menelon, Vice-Chair



Operational Report

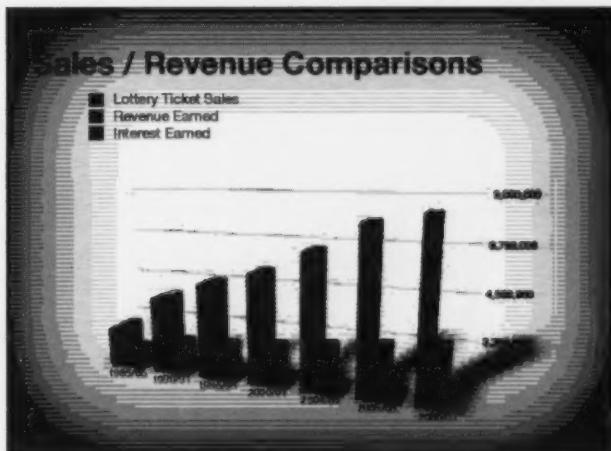
Record sales of 8.3 million were achieved in 2006-07. Yukoners continued to enjoy lottery games offered through affiliation with the Western Canada Lottery Corporation (WCLC) and the Interprovincial Lottery Corporation (ILC); including national on-line games Lotto 6/49 and Super 7; regional Pick 3, Extra, Sport Select and Keno games, and the newly introduced Millionaire for Life. Keno continued its trend as the most popular on-line lottery game, offering a greater prize structure for chances to win. Instant scratch 'n win tickets maintained their popularity with Yukoners as the number one choice for lottery players.



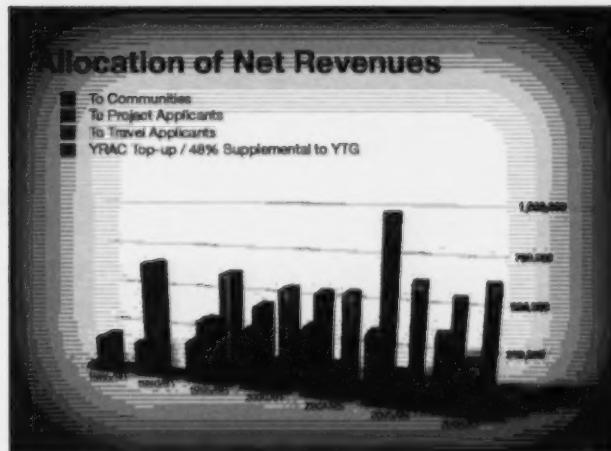
There were 37 licensed retail locations throughout the Yukon, 19 in Whitehorse and 18 in rural communities providing direct or indirect employment for approximately 400 Yukoners and earning commission revenues for retail representing 6.5% of lottery ticket sales. The lottery industry requires the services of technicians, shipping and freight companies, electricians, airlines and other businesses, all integral economic factors within the Yukon. Contributing significantly to the business sector as well are the hundreds of local projects supported from the revenues distributed by the Yukon Lottery Commission.



Working closely with the Western Canada Lottery Corporation, the Lotteries Yukon staff provides service and support to the Yukon business community by providing staff training, product development, technical trouble shooting, marketing and promotional materials and supplies. Weekly ticket orders are placed by retailers for delivery by the sales representative or courier. Lotteries Yukon staff also participates in budgeting and planning meetings of the Western Canada Lottery Corporation held quarterly, and contribute to the monthly publication of Northern Luck with stories of northern winners and beneficiaries.



The staff that administers the lottery network also serves the Yukon Lottery Commission by administering policy and funding decisions, by preparing monthly variance reports, budget information, statistical information and information required by the Commission for quarterly business and funding adjudication meetings. The public is served from the offices of Lotteries Yukon, with the most up-to-date information on funding programs and lottery games, and for rewarding of prizes to our lucky Yukon winners.



We look forward to the coming year to ensure that priority is given to the retailers who earn the revenues, and to provide the best possible service to the Yukon Lottery Commission, to the public, and to the volunteers who are supported by the lottery revenues.

Carol Arntzen-Darkes

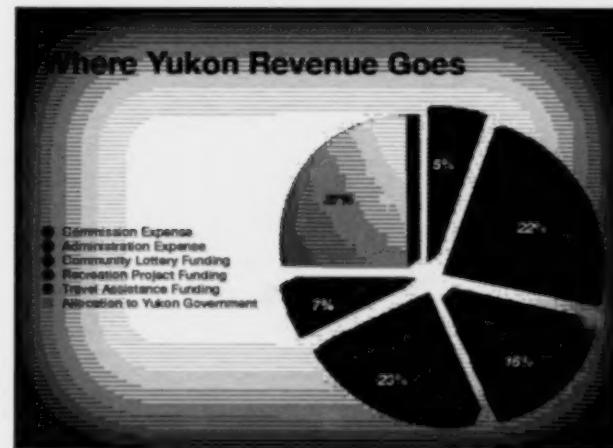
Carol Arntzen-Darkes
General Manager

WHERE THE YUKON REVENUE GOES

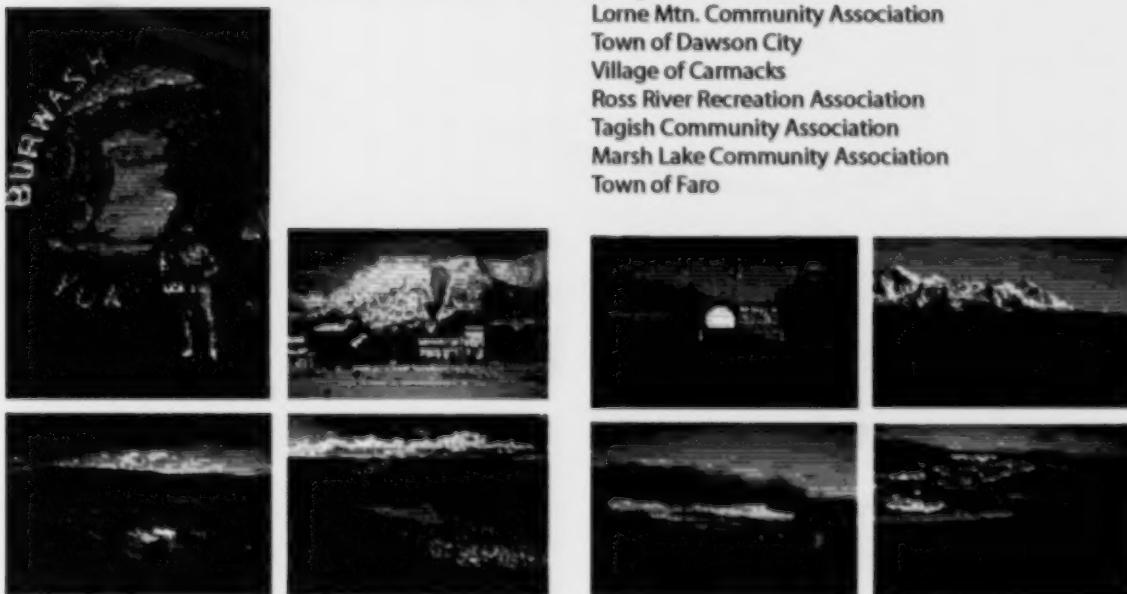
The Public Lotteries Act establishes a Yukon Lottery Commission Trust Fund into which all monies received in respect to the conduct and management of public lotteries are deposited. The Act and Regulations further establish the type and nature of expenses that may be paid from the trust fund, and authorizes the Commission to determine the formula or amount to be allocated to beneficiaries.

Community Lottery Funding

Funding is allocated to each municipality and community recognized as a local authority for recreation by Yukon Government. Funding is calculated using a base rate plus per capita formula determined by the Yukon Lottery Commission. In turn, the municipality or community local authority makes funding available for community projects. Details on pages 11 through 14.

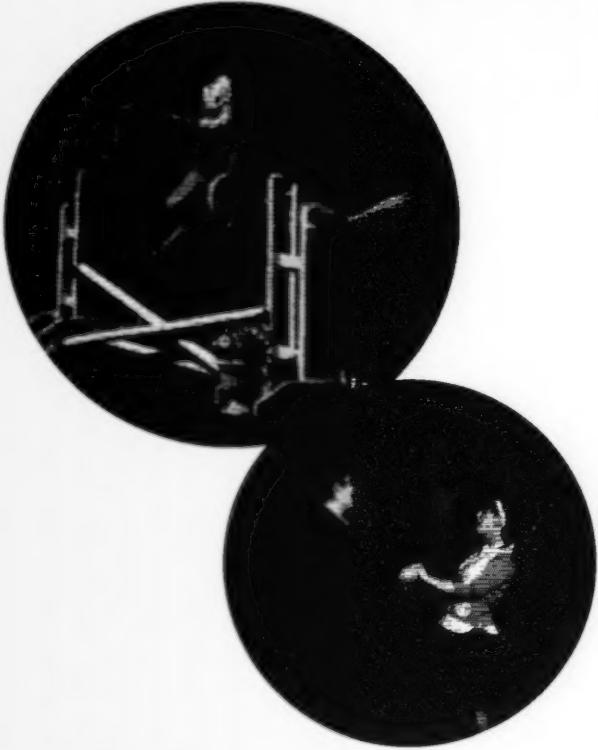
*Communities and Municipalities include:*

Beaver Creek Community Club
 Vuntut Gwitchin First Nation
 Carcross Recreation Committee
 Selkirk First Nation
 City of Whitehorse
 Keno City Community Club
 Town of Watson Lake
 Kluane Lake Athletic Association
 Village of Teslin
 Kluane First Nation
 Village of Mayo
 Liard First Nation
 Village of Haines Junction
 Lorne Mtn. Community Association
 Town of Dawson City
 Village of Carmacks
 Ross River Recreation Association
 Tagish Community Association
 Marsh Lake Community Association
 Town of Faro



RECREATION PROJECT FUNDING

Eligible applicants access project funding through an application process available twice a year. The key criteria for the distribution by grants are volunteerism, community participation and non-profit registered status. Please see pages 11 through 14 for detailed listing of approved funding.

**TRAVEL ASSISTANCE FUNDING**

Eligible applicants, including registered non-profit groups and extra-curricular high school groups, may access limited funding assistance for participation in competitions or adjudicated events within or out of the Yukon. With ongoing intake, this program is highly accessed by groups who articulate that funding assistance has made travel a possibility and that the increased participation and exposure assists in the development of amateur recreation at all levels. 69 applications were approved in 2006-07, assisting 1272 individuals to participate in positive activities that encourage active living. Please see pages 11 through 14 for a list of recipients identified with (T).

**ARTS GROUPS**

Lottery revenues supplement Government of Yukon funding for development of the arts as authorized in the Arts Act. 18 Eligible Arts groups receive funds to administer their programs and activities based on criteria established by the Yukon Arts Advisory Council. The Council reviews applications, with recommendations forwarded to the Minister for final approval. The Arts Branch provides administration and accountability for the lottery contribution. Groups funded:

Dawson City Music Festival
 Jazz Society of Yukon
 Link Dance Foundation Society
 Whitehorse Concerts
 Guild Society
 Yukon Art Society
 Alsek Music Festival
 Yukon Storytelling Festival
 Northern Lights School of Dance
 Society of Yukon Artists of Native Ancestry
 Nakai Theatre
 Yukon Educational Theatre
 Frostbite Music Society
 Longest Night Society
 Yukon Film Society
 Whitehorse Community Choir
 Northern Fibres Guild
 Society for Education/Culture
 Extremely Moving Youth Society
 Ted Harrison Artist Retreat

ADVANCED ARTISTS

The purpose of the Advanced Artist Awards program is to assist advanced visual, literary and performing artists practicing at a senior level with innovative projects, travel or educational pursuits that contribute to their personal artistic development and to their community. Applications are reviewed by a jury of peers, with the lottery-funded program administered by the Arts Branch.

SPORT AND RECREATION GROUPS

Lottery revenue is provided to supplement Government of Yukon core funding authorized in the Recreation Act for Sport and Special Recreation Groups. Level of funding is based on criteria established by the appointed members of the Sport and Recreation Committee. The Sport & Recreation Branch provides administration and accountability of the lottery contribution to 24 eligible Sport Governing Bodies and 8 eligible Territorial Recreation organizations:

Sports Groups

- Alpine Ski
- Yukon Amateur Boxing Association
- Arctic Edge Skating
- Yukon Amateur Hockey Association
- Athletics Yukon
- Yukon Amateur Speed Skating Assoc.
- Basketball Yukon
- Yukon Badminton Association
- Biathlon Yukon
- Yukon Curling Association
- Cross Country Yukon
- Yukon Cycling Association
- Judo Yukon
- Yukon Golf Association
- Softball Yukon
- Yukon Gymnastics Association
- Squash Yukon
- Yukon Orienteering Association
- Swim Yukon
- Yukon Shooting Federation
- Synchro Yukon Association
- Yukon Soccer Association
- Snowboard Yukon Association
- Volleyball Yukon

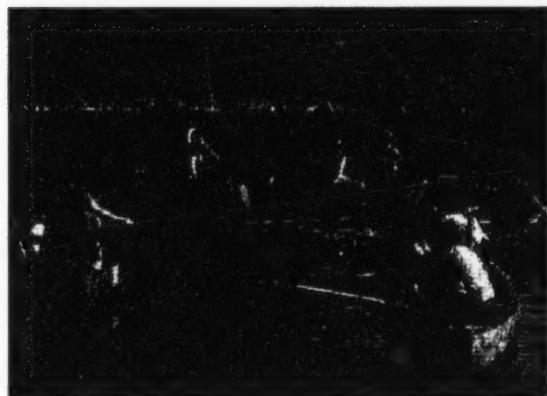


Recreation Groups

- Girl Guides of Canada-Yukon Chapter
- Elder Active Recreation Association
- Recreation & Parks Assoc. of Yukon
- Skookum Jim Friendship Centre
- Yukon Special Olympics
- Yukon Scouts Council
- Yukon Aboriginal Sport Circle
- Yukon STARS

Sport Yukon

Sport Yukon is the umbrella organization for amateur sport development in the Yukon. Core funding by the Yukon Lottery Commission enables Sport Yukon to provide services to its 75 – 100 members, to organize programs and events and to administer the participation of Yukon athletes in various games throughout Canada.



ELITE ATHLETES & HIGH PERFORMANCE COACHES

Lottery funding of the Elite Athlete and High Performance Coaches programs has been ongoing since inception in the 1980's. Adjudication of applications is provided through a peer process with administration provided by the Sport & Recreation Branch who works closely with the Sport Governing Bodies to identify potential coaches who would benefit from training, and athletes who may be recognized for funding to assist in covering costs to pursue excellence. The Sport & Recreation Branch provides accountability to the Yukon Lottery Commission.

| COMMUNITY | ORGANIZATION | AMOUNT |
|-----------------|--|------------------|
| BEAVER CREEK | Community Lottery Fund | 9,248.00 |
| | | 9,248.00 |
| BURWASH LANDING | Community Lottery Fund | 9,080.00 |
| | | 9,080.00 |
| CARCROSS | Community Lottery Fund | 13,244.00 |
| | | 13,244.00 |
| CARMACKS | Community Lottery Fund | 12,860.00 |
| | | 12,860.00 |
| DAWSON CITY | Community Lottery Fund | 30,308.00 |
| | Dawson City Minor Hockey | 5,000.00 |
| | Dawson City Minor Hockey (T) | 1,291.20 |
| | Dawson City Oldtimers Hockey (T) | 5,895.68 |
| | Robert Service School (T) | 3,000.00 |
| | | 45,494.88 |
| DESTRUCTION BAY | Community Lottery Fund | 8,696.00 |
| | | 8,696.00 |
| FARO | Community Lottery Fund | 12,776.00 |
| | Del Van Gorder School (T) | 969.30 |
| | Faro Golf Club | 56,000.00 |
| | | 69,745.30 |
| HAINES JUNCTION | Community Lottery Fund | 17,774.00 |
| | Alsek Music Festival | 5,000.00 |
| | Haines Junction Minor Hockey (T) | 3,483.60 |
| | Yukon Bluegrass Music Festival | 17,500.00 |
| | | 43,727.60 |
| KENO | Community Lottery Fund | 8,240.00 |
| | | 8,240.00 |
| LORNE MOUNTAIN | Community Lottery Fund | 12,440.00 |
| | Lorne Mt. Community Association | 3,800.00 |
| | | 16,240.00 |
| MARSH LAKE | Community Lottery Fund | 12,644.00 |
| | | 12,644.00 |
| MAYO | Community Lottery Fund | 11,372.00 |
| | JV Clark School (T) | 758.16 |
| | Mayo Community Club | 21,395.00 |
| | | 35,241.16 |

NOTE: (T) signifies travel funds

| COMMUNITY | ORGANIZATION | AMOUNT |
|----------------|---|---|
| OLD CROW | Community Lottery Fund Old Crow Recreation Society | 11,372.00 14,900.00 26,272.00 |
| PELLY CROSSING | Community Lottery Fund | 11,636.00 11,636.00 |
| ROSS RIVER | Community Lottery Fund | 12,224.00 12,224.00 |
| TAGISH | Community Lottery Fund Tagish Community Association | 10,544.00 3,232.00 13,776.00 |
| TESLIN | Community Lottery Fund Teslin Historical Society Teslin Hockey Association Teslin Recreation Society | 13,004.00 1,724.00 6,875.00 22,000.00 43,603.00 |
| UPPER LIARD | Community Lottery Fund | 10,136.00 10,136.00 |
| WATSON LAKE | Community Lottery Fund Southeast Yukon Proper Land Use Society Watson Lake Community Club - Minor Hockey (T) Watson Curling Club Watson Lake Outdoor Recreation Watson Lake Rodeo Association Youth Association of Watson Lake | 24,476.00 1,115.00 973.80 8,650.00 11,838.00 17,000.00 42,750.00 106,802.80 |
| WHITEHORSE | Community Lottery Fund Autism Yukon Blue Feather Music Society Canadian Ski Patrol - Yukon Zone F.H. Collins Secondary School - (T) Golden Age Society Klondike Highland Dance (T) Midnight Sun Pipe Band (T) Polarettes Gymnastic Club (T) Porter Creek Secondary School (T) Takhini Heartbeaters Skipping (T) Vanier Catholic Secondary School (T) Whitehorse Archery Club Whitehorse Cross Country Ski Club Whitehorse Curling Club (T) Whitehorse Glacier Bears Swim Club (T) Whitehorse Minor Hockey Association (T) | 129,038.25 4,050.00 9,050.00 3,148.00 6,649.42 4,000.00 3,200.00 1,398.00 2,800.00 7,078.66 2,400.00 5,300.00 2,983.00 6,000.00 4,211.20 7,400.00 10,369.84 |

NOTE: (T) signifies travel funds

| COMMUNITY | ORGANIZATION | AMOUNT |
|-------------------------------|---|-------------------|
| WHITEHORSE (continued) | Whitehorse Rapids Speed Skating Association (T) | 3,000.00 |
| | Whitehorse Youth Bowling Club (T) | 1,200.00 |
| | Yukon Canoe & Kayak Club | 7,335.00 |
| | Yukon Christian Martial Arts | 4,500.00 |
| | Yukon Dance Festival Society (T) | 3,500.00 |
| | Yukon Horse & Rider Association | 2,000.00 |
| | Yukon Indian Hockey Association (T) | 1,596.95 |
| | | 232,208.32 |
| YUKON | Annie Lake Golf & Country Club | 35,600.00 |
| | Annie Lake Golf & Country Club (T) | 600.00 |
| | Arctic Edge Skating Club. | 11,600.00 |
| | Arctic Edge Skating Club (T) | 4,500.00 |
| | Athletics Yukon. | 650.00 |
| | Basketball Yukon (T) | 2,600.00 |
| | Biathlon Yukon (T) | 2,000.00 |
| | Community Choir of Whitehorse | 8,100.00 |
| | Duke of Edinburgh's Award - BC/Yukon (T) | 400.00 |
| | Girl Guides of Canada. | 3,000.00 |
| | Great Northern Ski Society | 69,862.00 |
| | Guild Society | 13,600.00 |
| | Jazz Society of Yukon | 6,300.00 |
| | Learning Disabilities Association of Yukon | 6,000.00 |
| | Nakai Theatre | 15,000.00 |
| | Northern Lights School of Dance | 8,000.00 |
| | Northern Lights School of Dance (T) | 3,500.00 |
| | Snowboard Yukon (T) | 1,000.00 |
| | Society of Yukon Artists of Native Ancestry | 13,650.00 |
| | Squash Yukon (T) | 2,600.00 |
| | Suzuki Strings Association. | 3,700.00 |
| | Synchro Yukon (T) | 2,600.00 |
| | Table Tennis Yukon (T) | 2,200.00 |
| | Volleyball Yukon (T) | 7,000.00 |
| | Yukon Aboriginal Sport Circle (T) | 7,500.00 |
| | Yukon Amateur Hockey Association (T) | 11,875.92 |
| | Yukon Art Centre Foundation. | 25,000.00 |
| | Yukon Art Society | 12,000.00 |
| | Yukon Curling Association (T) | 5,018.64 |
| | Yukon Film Society | 4,900.00 |
| | Yukon International Storytelling Festival | 6,300.00 |
| | Yukon Music Camp Society | 10,000.00 |
| | Yukon Orienteering. | 1,200.00 |
| | Yukon Soccer Association | 4,000.00 |
| | Yukon Soccer Association (T) | 32,835.80 |

NOTE: (T) signifies travel funds

| COMMUNITY | ORGANIZATION | AMOUNT |
|---|---|---------------------------------------|
| CANADA WINTER GAMES | Canada Winter Games Host Society..... Sport Yukon..... | 600.00 3,500.00 4,100.00 |
| | TOTAL CONTRIBUTIONS TO COMMUNITIES/APPLICANTS | \$ 1,089,911.42 |
| | SPONSORSHIP PROGRAM – TOP UP..... | \$ 26,000.00 |
| | TOTAL Y.L.C. ADMINISTERED CONTRIBUTIONS | \$ 1,115,911.42 |
| <hr/> | | |
| GOVERNMENT OF YUKON ADMINISTERED FUNDING | | |
| ARTS BRANCH | Advanced Artist | 65,000.00 |
| | Yukon Arts Advisory Committee..... | 180,000.00 |
| | TOTAL ARTS BRANCH | 245,000.00 |
| SPORT AND RECREATION BRANCH | Elite Athlete/High Performance Official | 47,000.00 |
| | Sport Yukon..... | 130,000.00 |
| | Yukon Sport & Recreation Advisory Committee | 223,000.00 |
| | TOTAL SPORT & RECREATION BRANCH | 400,000.00 |
| | TOTAL FUNDS RELEASED FOR GOVERNMENT OF YUKON - Y.R.A.C. - TOP-UP | \$ 645,000.00 |
| | TOTAL FUNDING APPROVED / RELEASED | \$ 1,760,911.42 |
| | UNCLAIMED CONTRIBUTIONS | (\$ 27,784.81) |
| | TOTAL CONTRIBUTIONS / FUNDS RELEASED 2006 / 2007 | \$ 1,733,126.61 |

NOTE: (T) signifies travel funds

CHARTERED
ACCOUNTANTS

MacKey LLP

mackay.ca

Auditors' Report

**To the Members of the
Yukon Lottery Commission**

We have audited the balance sheet of Yukon Lottery Commission as at March 31, 2007 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Yukon Lottery Commission as at March 31, 2007, and the result of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Whitehorse, Yukon

May 31, 2007

MacKey LLP

Chartered Accountants

mackay.ca refers to the Canadian firm MacKey LLP

Yukon Lottery Commission**Statement of Revenue and Expenditures**

| For the year ended March 31, | 2007 | 2006 |
|--|-------------------|---------------------|
| Revenue | | |
| Commissions - Western Canada Lottery Corporation | \$ 2,410,065 | \$ 1,738,449 |
| Break-open tickets (schedule 1) | 111,858 | 44,440 |
| Keno (schedule 2) | - | 382,686 |
| Interest | 77,086 | 65,980 |
| Terminal | 9,540 | 9,726 |
| Finance Charges | 1,786 | - |
| | 2,510,335 | 2,241,271 |
| Administrative Expenses | | |
| Advertising and promotion | 8,443 | 4,084 |
| Amortization | 4,842 | 3,159 |
| Computer supplies and support | 124 | 2,410 |
| Community tour | 117 | - |
| First Ministers conference | 9,144 | - |
| Insurance | 1,540 | 1,181 |
| Leased equipment | 3,092 | 3,075 |
| Miscellaneous | 352 | 368 |
| Office supplies | 14,082 | 7,425 |
| Postage and freight | 8,399 | 7,646 |
| Professional fees | 9,853 | 6,520 |
| Rent | 38,405 | 29,446 |
| Retail | 6,385 | 6,239 |
| Telephone | 8,320 | 5,000 |
| Travel and training | 6,360 | 2,731 |
| Wages and benefits | 347,844 | 224,108 |
| | 468,102 | 303,392 |
| Commission Meeting and Program Expenses | | |
| Directors' honoraria, travel and meetings | 53,392 | 42,625 |
| Public relations | 16,484 | 23,358 |
| Retailer Incentive | 13,663 | 9,416 |
| Sponsorship program | 22,860 | 17,528 |
| | 106,389 | 92,927 |
| Total Expenses | 574,491 | 396,319 |
| Excess of revenue over expenditures before Grants and Contributions | 2,035,844 | 1,844,952 |
| Grants and Contributions | | |
| Application grants, projects | 274,896 | 432,840 |
| Application grants, travel | 168,206 | 165,788 |
| Application grants, major projects | 266,212 | 530,380 |
| Community Lottery Funding | 362,797 | 363,505 |
| Sponsorship program - top up | 26,000 | 11,000 |
| Undesignated Grants | (60,908) | (43,499) |
| Y. T. G. - Y.R.A.C. - Top up (note 7) | 618,299 | 609,446 |
| Total Grants and Contributions | 1,673,342 | 2,069,240 |
| Excess (deficiency) of revenue over expenditures | \$ 362,902 | \$ (224,288) |

Yukon Lottery Commission

Statement of Changes in Net AssetsFor the year ended March 31,

| | Unrestricted Net Assets | Invested in Capital Assets | Restricted for Working Capital | Restricted for Contingencies | Restricted for Major Projects |
|--|----------------------------|----------------------------------|--------------------------------------|------------------------------------|-------------------------------------|
| Balance, beginning of year | \$ (1,820) | \$ 19,512 | \$ 100,000 | \$ 382,832 | \$ 105,848 |
| Excess (deficiency) of revenue over expenditures (note 5) | 670,110 | (5,255) | - | - | (279,715) |
| Investment in Capital Assets | - | - | - | - | - |
| Transfers to Restricted | (873,038) | - | - | 138,187 | 499,695 |
| Balance, end of year | \$ (4,746) | \$ 14,257 | \$ 100,000 | \$ 498,900 | \$ 325,828 |

| | | | | | 2007 | 2006 |
|--|-----------------------------|---------------------------------|---|---|--------------|--------------|
| | Restricted for Travel | Restricted for Games 2007 | Restricted for Canada Sponsorship Grants | Restricted for Future Application Grants | Total | Total |
| Balance, beginning of year | \$ 43,710 | \$ 56,777 | \$ 5,899 | \$ 188,348 | \$ 881,106 | \$ 1,105,394 |
| Excess (deficiency) of revenue over expenditures (note 5) | (140,194) | 117,656 | - | - | 382,803 | (224,288) |
| Investment in Capital Assets | - | - | - | - | - | - |
| Transfers to Restricted | 146,291 | (109,115) | (5,899) | 5,899 | - | - |
| Balance, end of year | 40,807 | \$ 65,316 | \$ - | \$ 194,247 | \$ 1,243,708 | \$ 881,106 |

Yukon Lottery Commission**Balance Sheet**

| <u>As at March 31,</u> | <u>2007</u> | <u>2006</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 443 | \$ 2,365 |
| Funds held in trust (note 2) | 2,275,233 | 2,263,169 |
| Accounts receivable | 530,517 | 439,567 |
| Inventory | 6,655 | 8,074 |
| Prepaid expenses | 9,214 | 4,159 |
| | <u>2,822,062</u> | <u>2,737,334</u> |
| Restricted funds held in trust (notes 2 and 3) | 65,318 | 56,777 |
| Capital assets (note 4) | 14,268 | 19,512 |
| | <u>\$ 2,901,638</u> | <u>\$ 2,813,623</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 196,766 | \$ 171,071 |
| Committed grants | 1,459,162 | 1,761,446 |
| | <u>1,657,928</u> | <u>1,932,517</u> |
| Commitments (note 5) | | |
| Net Assets | | |
| Net assets invested in capital assets | 14,257 | 19,512 |
| Net assets restricted for working capital | 100,000 | 100,000 |
| Net assets restricted for contingencies | 498,999 | 362,832 |
| Net assets restricted for major projects | 325,828 | 105,848 |
| Net assets restricted for travel | 48,907 | 43,710 |
| Net assets for Canada Games 2007 | 65,318 | 56,777 |
| Net assets for sponsorship grants | - | 5,609 |
| Net assets for future grants | 194,247 | 188,348 |
| Unrestricted | (4,748) | (1,820) |
| | <u>1,243,708</u> | <u>881,106</u> |
| | <u>\$ 2,901,638</u> | <u>\$ 2,813,623</u> |

Approved by the Commission

Wendy Graham ChairJohn D. Key Member

Yukon Lottery Commission**Statement of Cash Flows**

| For the year ended March 31, | 2007 | 2006 |
|---|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenues over expenditures | \$ 362,602 | \$ (224,288) |
| Item not affecting cash | | |
| Amortization | 6,286 | 4,836 |
| Changes in non-cash operating capital | | |
| Accounts receivable | (90,949) | (110,046) |
| Prepaid expenses | (5,066) | 2,276 |
| Inventory | 1,418 | (5,449) |
| Accounts payable and accrued liabilities | 27,096 | 4,832 |
| Committed grants | (302,284) | 362,619 |
| | (1,317) | 63,860 |
| Investing activities | | |
| Purchase of capital assets | - | (8,522) |
| Increase (decrease) in cash | (1,317) | 57,358 |
| Cash, beginning of year | 2,342,311 | 2,284,953 |
| Cash, end of year | \$ 2,340,994 | \$ 2,342,311 |
| Represented by | | |
| Cash | \$ 443 | \$ 2,305 |
| Funds held in trust | 2,275,233 | 2,283,169 |
| Restricted funds held in trust | 65,318 | 56,777 |
| | \$ 2,340,994 | \$ 2,342,311 |

Yukon Lottery Commission

Notes to Financial Statements

March 31, 2007**1. Significant Accounting Policies**

The commission was created under the provisions of the Public Lotteries Act of the Yukon and is responsible for the conduct and management of public lotteries in the Yukon, including the distribution and administration of funds received from government sanctioned lotteries. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Capital Assets

Capital assets are recorded at original cost less accumulated amortization. Amortization is calculated by the declining balance method over the estimated useful life of the capital assets at the rates set out in note 4.

(b) Inventory

The inventory of promotional items is valued at the lower of cost and replacement cost.

(c) Grants and contributions

Grants are treated as expenditures at the time the grants are approved by the Commission. All unpaid, but approved grants, are included as committed grants. Approved grants which are not claimed within the required time frame are reversed as unclaimed grants.

(d) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the commission are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

(e) Restricted net assets

Restricted net assets are created when designated as restricted by the Yukon Lottery Commission. The restricted net assets represent segregation of funds by the Yukon Lottery Commission for certain specified expenditures. Such funds may be supplemented by a transfer from general operating funds.

(f) Deferred Method

The commission follows the deferred method of accounting for grants and contributions.

2. Funds Held In Trust

All general funds of the commission are held in trust for the Commission by the Government of Yukon.

3. Restricted Net Assets

In conjunction with the net assets restricted for the Canada Games 2007, \$85,316 (2006 - \$56,777) of funds held in trust are restricted for future expenditures.

The Commission has internally restricted net assets of \$1,248,454 (2006 - \$882,926) to provide for contingencies, an even level of funding, travel, future major projects, future grants and the Canada Games 2007. These internally restricted amounts are not available for other purposes without approval of the Commission members.

Yukon Lottery Commission**Notes to Financial Statements****March 31, 2007****4. Capital Assets**

| | Rate | Cost | Accumulated Amortization | 2007 Net book Value | 2006 Net book Value |
|-------------------------|------|------------|--------------------------|---------------------|---------------------|
| Furniture and equipment | 20% | \$ 53,751 | \$ 47,934 | \$ 5,817 | \$ 7,272 |
| Break-open machines | 20% | 29,258 | 28,685 | 573 | 1,003 |
| Computer hardware | 30% | 47,347 | 39,481 | 7,866 | 11,237 |
| Computer software | 100% | 1,844 | 1,844 | - | - |
| | | \$ 132,000 | \$ 117,744 | \$ 14,258 | \$ 19,512 |

5. Allocation of Excess of Revenue Over Expenditures

The excess of revenue over expenditures is allocated to net assets according to the source of the revenue or expenditure as shown below:

| | Unrestricted | Capital Assets | Major Projects | Travel | Canada Games 2007 | Restricted for Future Application Grants |
|-------------------------------------|-------------------|-------------------|---------------------|---------------------|-------------------|--|
| Excess of revenue over expenditures | \$ 1,305,689 | \$ - | \$ - | \$ - | \$ 111,858 | \$ - |
| Grants allocated | (558,093) | - | (266,212) | (165,606) | - | - |
| Amortization | 4,842 | (5,255) | - | - | 413 | - |
| Transfers | 15,888 | - | (15,888) | 11,000 | (11,000) | - |
| Sponsorships | (26,000) | - | - | - | - | - |
| Unclaimed Grants | 27,784 | - | 2,385 | 14,412 | 16,385 | - |
| | \$ 870,116 | \$ (5,255) | \$ (279,715) | \$ (140,194) | \$ 117,656 | \$ - |

6. Commitments

The Commission has a lease for office space until May 2007 which requires future minimum lease payments as follows:

| | |
|------|----------|
| 2007 | \$ 7,000 |
|------|----------|

Yukon Lottery Commission**Notes to Financial Statements****March 31, 2007****6. Commitments (continued)**

The commission has approved sponsorship grants totalling \$77,000 for the the following organizations:

| | |
|--|--|
| Kuane Chilkat Bike Relay Association: | \$10,000 for 2007/2008 and \$10,000 for 2008/2009 |
| Silver Sled Race Committee: | \$ 6,000 for 2007/2008 and \$ 6,000 for 2008/2009 |
| Klondike Trail of '98 Road Relay: | \$15,000 for 2007/2008 |
| Yukon Quest International Dog Sled Race: | \$15,000 for 2007/2008 and \$15,000 for 2008/2009. |

The commission has entered into a lease for office space until May 2010 which requires future minimum lease payments as follows:

| | |
|------|----------|
| 2008 | \$44,550 |
| 2009 | \$44,550 |
| 2010 | \$44,550 |

7. Committed to YRAC

| | 2007 | 2006 |
|---|--------------|--------------|
| Excess of revenue over expenditures before grants and contributions | \$ 2,035,844 | \$ 1,844,982 |
| Less: Breakopen revenues | (111,858) | (44,440) |
| Less: Keno revenues | - | (382,668) |
| Change in Contingency Reserve (prior year less current year) | 1,923,986 | 1,417,844 |
| Transfer to Major Projects (20% of revenue excluding breakopens) | (136,186) | 33,182 |
| Total available for grants | 1,288,125 | 1,209,820 |
| Less: Available for Applicant Grants (52%) | (680,826) | (600,174) |
| Available for YRAC top up | \$ 618,299 | \$ 609,446 |
| Available for Sport and Recreation Branch (at 62% of YRAC top up) | \$ 383,345 | \$ 377,857 |
| Available for Arts Branch (at 38% of YRAC top up) | 234,954 | 231,589 |
| Total allocated for YRAC Top Up | \$ 618,299 | \$ 609,446 |

8. Comparative amounts

In the current year Schedule 2 revenue and expenditures have been included in the general revenue and general expenditures on the income statement and have not been included on Schedule 2.

Yukon Lottery Commission**Schedule 1 - Break-open Tickets**

| For the year ended March 31, | 2007 | 2006 |
|--|-------------------|------------------|
| Revenue | | |
| Commission - Break-open tickets | \$ 165,135 | \$ 98,166 |
| Expenditures | | |
| Advertising and promotion | 922 | 532 |
| Amortization | 413 | 842 |
| Computer | 12 | 314 |
| Community tour | 11 | - |
| Directors' honoraria, travel and meetings | 4,998 | 5,557 |
| First Ministers Conference | 858 | - |
| Insurance | 144 | 154 |
| Leased equipment | 384 | 401 |
| Miscellaneous | 32 | 48 |
| Office supplies | 1,318 | 968 |
| Postage and freight | 786 | 997 |
| Professional fees | 922 | 850 |
| Public relations | 1,412 | 3,045 |
| Rent | 3,595 | 3,839 |
| Retailer incentive | 1,416 | 1,670 |
| Sponsorship | 2,140 | 2,285 |
| Telephone | 779 | 653 |
| Training | 15 | 21 |
| Travel | 580 | 335 |
| Wages and benefits | 32,562 | 29,215 |
| | 53,277 | 51,726 |
| Excess of revenue over expenditures | \$ 111,858 | \$ 44,440 |

Yukon Lottery Commission**Schedule 2 - Keno**

| <u>For the year ended March 31,</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------------|
| Revenue | | |
| Commission - Keno tickets | \$ - | \$ 499,118 |
| Expenditures | | |
| Advertising and promotion | - | 1,206 |
| Amortization | - | 935 |
| Computer | - | 713 |
| Directors' honoraria, travel and meetings | - | 12,615 |
| Insurance | - | 349 |
| Leased equipment | - | 910 |
| Miscellaneous | - | 109 |
| Office supplies | - | 2,197 |
| Postage and freight | - | 2,263 |
| Professional fees | - | 1,930 |
| Public relations | - | 6,913 |
| Rent | - | 8,715 |
| Retailer Incentive | - | 3,790 |
| Sponsorship | - | 5,188 |
| Telephone | - | 1,479 |
| Training | - | 47 |
| Travel | - | 781 |
| Wages and benefits | - | 66,328 |
| | - | 116,450 |
| Excess of revenue over expenditures | \$ - | \$ 382,668 |